



Financial Statements of

FIRST NATIONS FUND

Period ended October 31, 2004



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AUDITORS' REPORT TO THE TRUST BENEFICIARIES

We have audited the statement of financial position of First Nations Fund as at October 31, 2004 and the statements of revenue and expenditures and unrestricted surplus and cash flows for the seven month period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at October 31, 2004 and the results of its operations and its cash flows for the seven month period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada

November 24, 2004, except as to note 4 which is as of December 10, 2004.

FIRST NATIONS FUND

Statement of Financial Position

October 31, 2004, with comparative figures for March 31, 2004

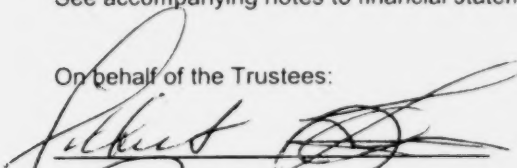
	October 31, 2004	March 31, 2004
Assets		
Cash	\$ 5,208	\$ 84,795
Accounts receivable	347	347
Gaming revenue receivable	216	130
	<u>\$ 5,771</u>	<u>\$ 85,272</u>

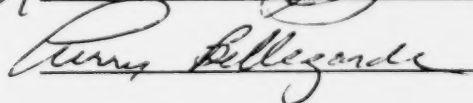
Liabilities and Unrestricted Surplus

Current liabilities:		
Payable to First Nations and others	\$ 5,771	\$ 85,272
Unrestricted surplus	-	-
Contingency (note 2)		
	<u>\$ 5,771</u>	<u>\$ 85,272</u>

See accompanying notes to financial statements.

On behalf of the Trustees:

 Trustee

 Trustee

FIRST NATIONS FUND

Statement of Revenue and Expenditures and Unrestricted Surplus

Seven months ended October 31, 2004, with comparative figures for the year ended March 31, 2004

	October 31, 2004	March 31, 2004
Revenue:		
Gaming revenue	\$ -	\$ 5,363,500
Interest	309	9,638
	309	5,373,138
Expenditures:		
Allocations under gaming agreements:		
Fund distributions:		
Payments to First Nations	(6,563)	5,190,529
Bear Claw Community Development Corporation	-	123,718
Trust administration	-	35,622
Staff travel	254	203
Professional fees	4,945	19,762
Travel	1,673	3,304
	309	5,373,138
Excess of revenue over expenditures	-	-
Unrestricted surplus, beginning of period	-	-
Unrestricted surplus, end of period	\$ -	\$ -

See accompanying notes to financial statements.

FIRST NATIONS FUND

Statement of Cash Flows

Seven months ended October 31, 2004, with comparative figures for the year ended March 31, 2004

	October 31, 2004	March 31, 2004
Cash flows from (used in):		
Operations:		
Change in non-cash operating working capital:		
Accounts receivable	\$ -	\$ (332)
Gaming revenue receivable	(86)	(130)
Payable to First Nations and others	(79,501)	(1,436,045)
	(79,587)	(1,436,507)
Decrease in cash	(79,587)	(1,436,507)
Cash, beginning of period	84,795	1,521,302
Cash, end of period	\$ 5,208	\$ 84,795

See accompanying notes to financial statements.

FIRST NATIONS FUND

Notes to Financial Statements

Period ended October 31, 2004

General Information:

The First Nations Fund (the "Fund") was established to administer and disburse funds earned through gaming activities.

Pursuant to the 1994 Casino Gaming Agreement between the Federation of Saskatchewan Indians, Inc. ("FSIN") and the Province of Saskatchewan (the "Province") and Section 17 of *The Saskatchewan Gaming Corporation Act*, the Fund is to receive 25% of the net profits of the casinos operated by the Saskatchewan Gaming Corporation ("SGC").

Pursuant to the 1995 Agreement between the FSIN and the Province (the "1995 Agreement"), the Fund is to receive 50% of the net profits generated by casinos operated by Saskatchewan Indian Gaming Authority Inc. ("SIGA"). Under the 1995 Agreement and an amendment to the 1995 Agreement effective April 1, 1998, when the cumulative total of the net profits from the SIGA casinos distributed to the Fund exceeds the cumulative total amount paid to the Fund from the profits of the SGC casino, the Fund shall only be entitled to 37.5% of the net profits from the SIGA casinos (the "Flip Clause"). The "Flip Clause" was eliminated in the 2000 Amending Agreement which formalized that the Fund would be entitled to 37.5% of the net profits from SIGA from that day forward.

The 1995 Agreement provides for the establishment of the First Nations Addictions Rehabilitation Foundation ("FNARF") for the purpose of providing gaming addictions rehabilitation and prevention services for First Nations people. The operations of FNARF are to be funded from the Fund.

The 1995 Agreement expired on March 31, 2001 but was amended and extended several times until a new agreement was signed on June 11, 2002 (the "2002 Agreement"). Under the 2002 Agreement, the FSIN was to establish the First Nations Trust ("FNT") to distribute First Nations' share of gaming revenues. Once the FNT was established, Saskatchewan would amend *The Saskatchewan Gaming Corporations Act* to end, and provide for the winding up, of the Fund. Until such time as the FNT was established, the 2002 Agreement provided that the Fund would receive and distribute:

- 37.5% of the net profits of SIGA
- 25% of the net profits of SGC
- \$1,500,000 annually to be distributed to FNARF
- \$250,000 annually to be distributed to the FSIN for s.2.1 jurisdictional discussions.

The FNT was created May 26, 2003 and, accordingly, except for the distribution of net interest income, the final distribution from the Fund occurred June 30, 2003.

The Fund is administered by a Board of Trustees. The FSIN, in accordance with the First Nations Gaming Act, provides a list of recommended trustees to the Government of Saskatchewan. The Government of Saskatchewan uses that list to appoint trustees to the Fund in accordance with *The Saskatchewan Gaming Corporation Act*.

FIRST NATIONS FUND

Notes to Financial Statements (continued)

Period ended October 31, 2004

General Information (continued):

The Saskatchewan Gaming Corporation Act establishes that the Trustees may make payments from the Fund for the following purposes related to Indians and Indian Bands in Saskatchewan:

- economic development
- social development
- justice initiatives
- education development
- recreational facilities operation and development
- senior and youth programs
- cultural development
- community infrastructure development and maintenance
- health initiatives, and
- Charitable purposes in accordance with any agreement between;
 - i. the government of Saskatchewan or any of its agents;
 - ii. the Federation of Saskatchewan Indian Nations or Saskatchewan Indian Gaming Authority.

The Trustees shall make payments from the Fund on a fair and equitable basis in accordance with guidelines approved by the FSIN Chiefs-in-Assembly. The Trustees may also disburse funds identified for charitable purposes to First Nations charities.

1. Significant accounting policies:

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

(b) Gaming revenues:

Gaming revenues are recorded when received from the Province's General Revenue Fund. Distributions of gaming revenue are made to the Fund in quarterly installments based on estimates of net profits at the SIGA and SGC casinos. Upon completion of the fiscal years of the SIGA and SGC casinos, a final distribution is made to the Fund upon determination and allocation by the Province and recorded as gaming revenue.

FIRST NATIONS FUND

Notes to Financial Statements (continued)

Period ended October 31, 2004

1. Significant accounting policies (continued):

(c) Payments to First Nations:

Payments to First Nations are made based on guidelines approved by the FSIN Chiefs-in-Assembly.

2. Flip clause contingency:

Disagreement exists between the FSIN and the Province regarding interpretation and calculations pursuant to the 1995 Agreement and the amendment to the 1995 Agreement as they relate to distribution of gaming revenue to the Fund. Any increase in distribution to the Fund related to the above disagreement will be accounted for in the period of resolution of the disagreement and receipt of amounts by the Fund.

3. Related party transactions:

Related parties to the Fund include the FSIN and First Nations in the Saskatchewan region and the Province of Saskatchewan. The FSIN provided administrative services to the Fund to June 30, 2003 at amounts agreed between the parties. Occasionally cheques are distributed to Tribal Councils on behalf of their member First Nation. Expenditures and distributions to related parties are disclosed in the statements of revenue and expenditures and unrestricted surplus.

4. Subsequent event.

In December, 2004, the Trustees transferred the assets of the Fund to The First Nations Trust to facilitate the wind up of the Fund. The First Nations Trust assumed all legal responsibilities and financial assets and liabilities of the Fund as of December 10, 2004, after which the financial position of the Fund was as follows:

Assets	\$	-
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Liabilities	\$	-
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